

October 31, 2006

To: Senate Committee on Finance
From: Bob Rebar, CPA
Rebar & Associates, PLLC
RE: Comments on the Technical Corrections Act of 2006
HR 6264 and companion S4026

I am writing to you to express my concerns with Section 7 of the Technical Corrections Act of 2006 and specifically with the changes proposed to the treatment of dividends paid by an IC DISC.

We oppose the proposed changes to the treatment of dividends paid by an IC DISC. First, this change does not seem fitting as a "technical correction". Rather it is a fundamental change in the treatment of dividends as paid by an IC DISC. We believe any such fundamental change in tax law should be addressed the same way in which any other fundamental changes in tax law are addressed, which is through the tax approval process and not as a technical correction.

Second, the suddenness of the enactment date of the proposed change undermines basic business planning. We are a CPA firm who provides services to closely held businesses. These businesses for the most part are under \$25mm in annual sales and owned by less than five people. All are US companies who provide US jobs and export their goods. These businesses plan annually and as a part of that planning take into consideration tax costs and benefits when making their decisions. Most all of the business that avail themselves of the treatment of IC DISC dividends make such payments at the end of the year. This is because most small businesses do not know where their profitability will come out until late in the year. To suddenly adversely change the tax law will have a very negative effect on many small business owners undermining solid business planning and harming the small business owner.

I respectfully request you eliminate this provision from the technical corrections act leaving it to be addressed through the tax writing process. If it is the committee's belief that this major change in tax treatment of dividends is within the technical corrections process, I respectfully request that such enactment date be effective December 31, 2006 so as to not damage small businesses that have planned for and relied upon this area of tax law. The IC DISC rules were put in place to help small businesses who provide U.S. based employment and who export to foreign countries. This sudden change in the tax law late in the year will have the opposite effect.

Respectfully submitted,

Bob

Robert J. Rebar
Managing Member
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